



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 7/19/2006

GAIN Report Number: AS6046

Australia

Agricultural Situation

Ag Down Under Vol. 11

2006

Approved by:

Kathleen Wainio, Agricultural Counselor
U.S. Embassy

Prepared by:

Meredith Elliott, Agricultural Assistant; Mike Darby, Agricultural Specialist; Lindy Crothers,
Agricultural Marketing Assistant

Report Highlights:

- AWB Cole Inquiry
- US wheat farmers sue AWB
- Dry conditions likely to cut winter cereal production
- 94 percent of NSW remains in drought
- Orange production slashed by frost
- Australian oranges gain access to China
- Australian rice growers win access to South Korea
- Japan open to Tasmanian apples
- Beef exports ease in 2005-06
- No more sugar sweeteners
- Wine cheaper than bananas

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Canberra [AS1]
[AS]

AWB Cole Inquiry

GRAIN exporter AWB Ltd has won a court battle to delay giving 1300 secret documents to the head of the inquiry into the Iraq kickbacks affair. AWB is claiming legal professional privilege over the documents Commissioner Cole has asked for in his inquiry into kickbacks the wheat exporter paid to the regime of Iraqi dictator Saddam Hussein, in breach of UN sanctions.

Last month, the Government gave Commissioner Cole the power to demand the documents but he is now prevented from doing so by a court injunction until the matter is heard in full. The federal court will now determine AWB's claim over the 40 volumes of documents.

(Source: www.news.com.au 07/18/06)

US wheat farmers sue AWB

A group of six U.S. farmers has launched a \$1 billion dollar damages claim against the exporter for its actions in the Iraqi kickbacks scandal. For the case to succeed, the complainants' legal team will firstly have to prove that AWB acted criminally in its actions in Iraq and that the growers suffered direct financial damage from AWB's actions. Early indications from the Australian legal community suggest the court case will face substantial hurdles on multiple fronts, including proving jurisdiction over AWB, and the fact the U.S. had trade sanctions against Iraq at the time. (Source: FarmOnline 7/12/06)

Dry conditions likely to cut winter cereal production

Dry conditions recently experienced across the Australian continent are likely to see production forecasts for winter cereal crops fall. The Australian Bureau of Meteorology recently reported that June, usually the peak planting period for winter cereals, recorded "some of the coldest and driest" conditions for decades. Currently, Post has forecast 2006/07 wheat production at 24 MMT and barley production at 8.9 MMT, although these are likely to be revised downwards in Post's quarterly grain and feed report, due July 31.

Some reports have slashed 2006/07 wheat production by as much as 5 MMT, although Post is unlikely to cut production this far. Previous seasons beginning with dry weather conditions have gone on to produce near record crops.

94 percent of NSW remains in drought

Rainfall over much of NSW in the past week has given winter crops the moisture to see them through the next few weeks. However, 94 percent of NSW remains in drought, according to the July drought figures released today. June rains had helped NSW's cropping industries but had little impact on overall drought conditions. Nearly all of the anticipated 4.6 million hectares of NSW winter crops is now in the ground. Follow-up rains over the next several weeks will be needed to support those crops. (Source: FarmOnline 07/19/06)

Orange production slashed by frost

Australian fresh orange production is forecast to fall sharply in 2006/07 to 450 TMT. At least two significant frost events perpetuated by some of the coldest and driest conditions on record have sharply reduced Australian citrus production, particularly Navel oranges. It is too early in the production cycle to confirm whether these conditions may also affect Valencia production and associated orange juice production. (Gain Report #AS6045)

Australian oranges gain access to China

The government of Australia recently negotiated access to the Chinese market for Australian citrus. This negotiation included a field visit by Chinese quarantine officials in March 2006 which concluded with the confirmation of correct management procedure and pest mitigation practices.

The Australian citrus industry hopes to ship citrus to China during this harvest and is currently formulating a strategy with its business partners. Industry sources remain skeptical of the success of such exports in the first year as sharply reduced availability of suitable fruit will likely constrain new market development in 2006/07. (*Gain Report #AS6045*)

Australian rice growers win access to South Korea

Australian rice growers have gained long-term access for the first time to the South Korean market. Australian Minister for Agriculture, Peter McGauran, says revised specifications mean the industry now has quota to export 9,030 MT of rice to South Korea each year for the next 10 years.

The industry will also be able to bid for part of South Korea's 'global quota' for rice, which will increase to more than 200,000 MT a year by 2014. The first export shipment to Korea is expected in November, with shipments to continue on an annual basis. (*Source: FarmOnline 07/19/06*)

Japan open to Tasmanian apples

Tasmanian growers can now export any variety of fresh apples to Japan. Tasmanian Minister for Primary Industries, David Llewellyn, says, "Previously Tasmanian orchardists could only send Fuji apples to Japan. Japan's decision to allow the importation of the full range of fresh Tasmanian apples reinforces the global recognition of our biosecurity practices." (*Source: FarmOnline 07/19/06*)

Beef exports ease in 2005-06

Australian beef exports for 2005-06 finished six percent lower than the near record levels in 2004-05. The fall reflects lower beef cattle turn-off and a modest weakening in export demand. Japan, the U.S. and Korea were again Australia's three main beef export markets in 2005-06. They accounted for 90 percent of Australia's total beef shipments of 892,000 MT shipped weight. Beef exports, however, remain well above those of 2002-03, prior to the U.S. BSE incident.

Japan: Fiscal year 2005-06 exports to Japan were the second highest on record, at 388,000 MT, down 7 percent on those of 2004-05. These falls reflect some disruptions to Japan import demand caused by an oversupply of product early in the year, ongoing uncertainty over the timing of a US return and a fall in the availability of grass-fed Japan steers. Japan accounted for 43 percent of Australian beef exports (similar to that of 2004-05).

USA: Australia's beef shipments to the U.S. in June were 29 percent below year-ago levels, at 27,200 MT. Exports during 2005-06 were down 19 percent, at 296,000 MT – the lowest since 1998-99. Contributing to the overall fall in exports was a reduction in Australian cow slaughter, increasing cow supplies in the U.S. and sluggish demand. But the U.S. still accounted for 33 percent of Australian beef exports (down from 39 percent in 2004-05).

Korea: Shipments to Korea for the 12 months to June 2006 were a record 121,000 MT, 33 percent above those of 2004-05. Korea accounted for 14 percent of Australian beef exports (up from 10 percent). Strong beef exports to Korea were assisted by ongoing delays in the re-entry of U.S. beef imports. Exports to Korea for the month of June reached 11,800 MT – the highest June figure on record. (SOURCE: MLA Markets News.)

No more sugar sweeteners

The federal agriculture minister, Peter McGauran, said cane farmers and downstream processors in the sugar industry should not expect another multi-million dollar assistance package should conditions deteriorate in future. He said there was no doubt the industry could now stand on its own feet, in light of high prices for sugar and recent subsidies to aid industry restructuring. Due to higher sugar prices, the government expects to withhold about A\$100 million in a budgeted assistance of A\$440 million. (Source: *Financial Review*, 18/07/06)

Wine cheaper than bananas

In a sign of the bleak short-term outlook for wine-grape growers, Australian retailers are now marketing some low-end bottled wine for less than A\$2 a bottle. It is a phenomenon mirroring that of the California wine industry in 2003 in response to a large grape oversupply. The bottles are selling as “cleanskins”, which means they do not carry a label identifying the maker, but retailers offer a “try before you buy” service to reassure buyers of the quality. Industry sources state that it is the cheapest retail price ever seen for wine in Australia. These prices reflect a lower price than the cost of a banana, currently priced at around A\$2.75 each due to the devastation of the banana growing region in Queensland from Cyclone Larry (See GAIN report AS6019). (Source: *Financial Review* 07/18/06)

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at:
<http://www.fas.usda.gov/scripts/AttacheRep/default.asp>.

Report Number	Title of Report	Date
6033	Wheat Australia sells 350,000 MT to Iraq	05/31/06
6034	Ag Down Under Vol. 9	06/02/06
6035	Australia Actively Pursuing FTAs	06/07/06
6036	Wine Annual	06/08/06
6037	Sugar Smut Outbreak in Queensland	06/20/06
6038	Ag Down Under Vol. 10	06/23/06
6039	Agricultural Biotechnology Annual	06/28/06
6040	Worst Frost in 20 Years Affects Australian Citrus Production	06/27/06
6041	Poultry Meat IRA Released	06/28/06
6042	Australian FTA with Gulf States	06/30/06
6045	Citrus Update	07/17/06